



Forecasting the Yield Curve: An Econometric Study

Vsevolod Zaostrovsky, Ivan Cherepakhin, Artemy Sazonov

Supervisor: Ivan P. Stankevich

Lomonosov Moscow State University

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YC and data

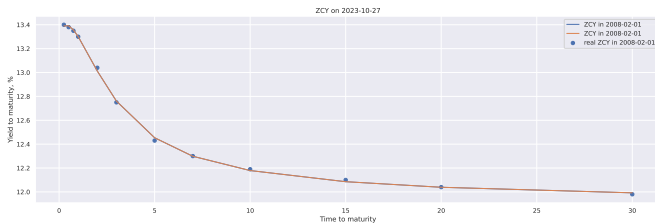


Figure: Yield Curve

$$G(T) = \beta_0 + (\beta_1 + \beta_2) \frac{\tau}{T} \left(1 - e^{-\frac{T}{\tau}}\right) - \beta_2 e^{-\frac{T}{\tau}}, \quad (1)$$

where T is the time to maturity, $G(T)$ is the yield estimator, and the parameters to be estimated are: β_0 is the long-run of zero-bond yields, β_1 is the mid-run of zero-bond yields, β_2 is the short-run of zero-bond yields.

Structural breaks in factors

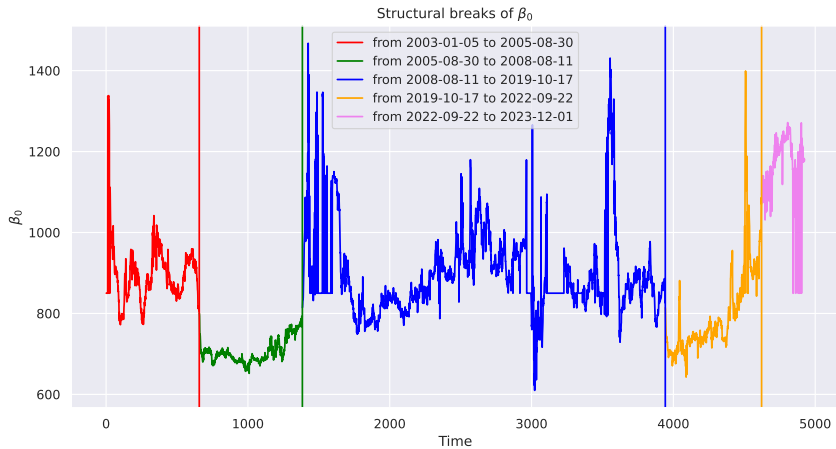


Figure: Yield Curve



Structural breaks in factors

1. 2005: The complete stabilization of the Russian economy, the war in Iraq.
2. 2008: the Russo-Georgian Conflict and the beginning of the world financial crisis.
3. 2018: protests from March 2017 to the end of 2018. Also, it was a 2018 FIFA World Cup.
4. 2020: COVID-19 pandemic.
5. 2022: special military operation.

Structural breaks

Factor	MAPE	MAE	RMSE
β_0	0.006	5.5102	6.0729
β_1	0.3471	29.3697	32.2907
β_2	0.5223	93.8611	95.6724
τ	0.9588	1.8988	1.987

Table: NS factors forecasting results using ARIMA for the last segment.

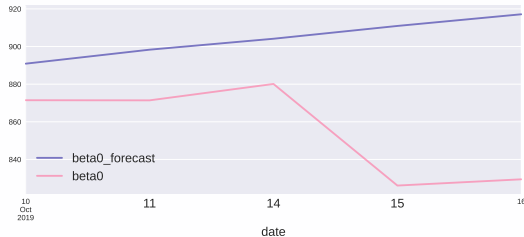
Factor	MAPE	MAE	RMSE
β_0	0.0139	12.8457	14.9255
β_1	0.134	12.1766	15.9566
β_2	0.3394	60.4861	61.5831
τ	0.3582	0.68	0.7972

Table: NS factors forecasting results using VAR for the last segment.

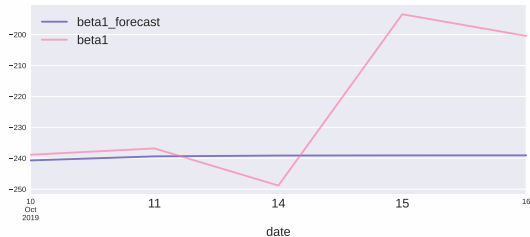


Nelson-Siegel factors forecast using ARIMA

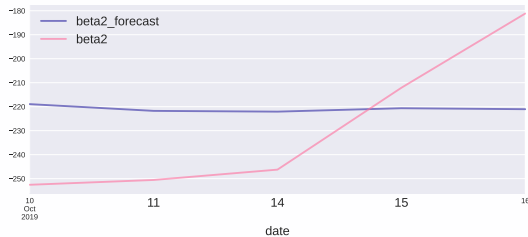
beta0: Forecast vs Actuals



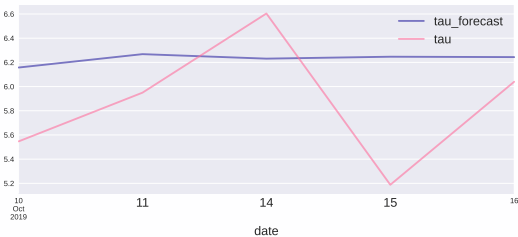
beta1: Forecast vs Actuals



beta2: Forecast vs Actuals

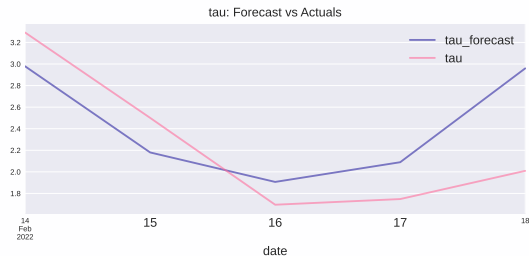
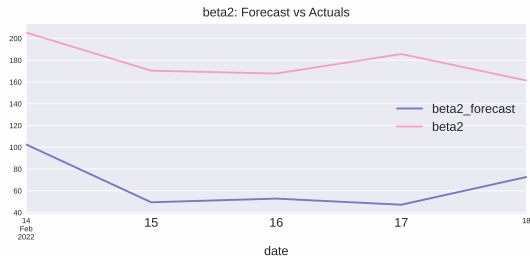
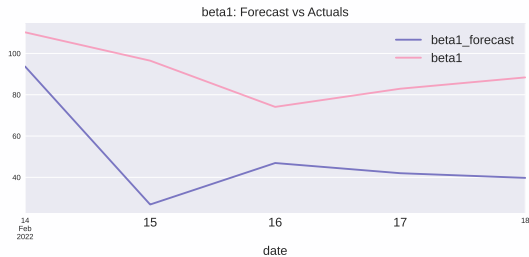
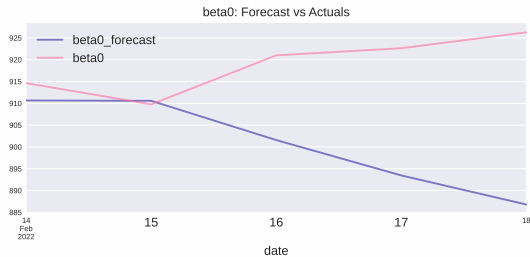


tau: Forecast vs Actuals





Nelson-Siegel factors forecast using VAR





Nelson-Siegel factors forecast using MS-ARIMA

TTM	MAPE—MC	MAPE	MAE—MC	MAE	RMSE—MC	RMSE
0.25	0.034	0.0354	0.3575	0.3716	0.4118	0.4187
0.5	0.0312	0.033	0.3298	0.3482	0.3978	0.4082
0.75	0.0311	0.0328	0.3283	0.3461	0.38	0.3912
1.0	0.0312	0.0335	0.3282	0.3517	0.3643	0.3785
2.0	0.0378	0.0394	0.3896	0.4061	0.3924	0.4105
3.0	0.0425	0.0449	0.4347	0.459	0.4425	0.4721
5.0	0.0471	0.0512	0.4746	0.5142	0.49	0.541
7.0	0.0467	0.0492	0.4641	0.4879	0.4766	0.5111
10.0	0.0419	0.0435	0.4115	0.4274	0.4154	0.4315
15.0	0.0338	0.0349	0.3281	0.3387	0.3337	0.343
20.0	0.0272	0.0308	0.2627	0.2967	0.2815	0.3037
30.0	0.0207	0.0237	0.2	0.2279	0.2481	0.2595

Table: ARIMAX-MS vs ARIMA.

Nelson-Siegel factors forecast using ARIMA

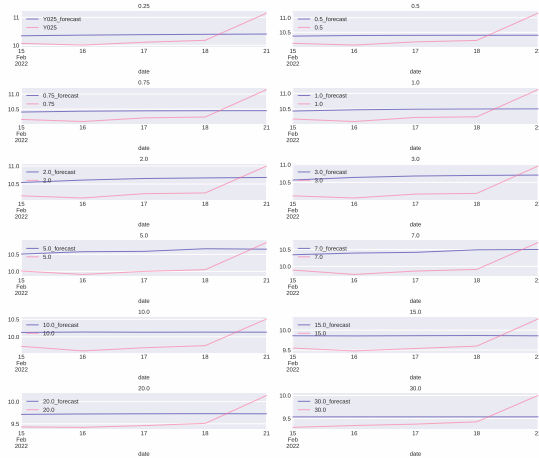


Figure: ARIMA forecast

Nelson-Siegel factors forecast using VAR

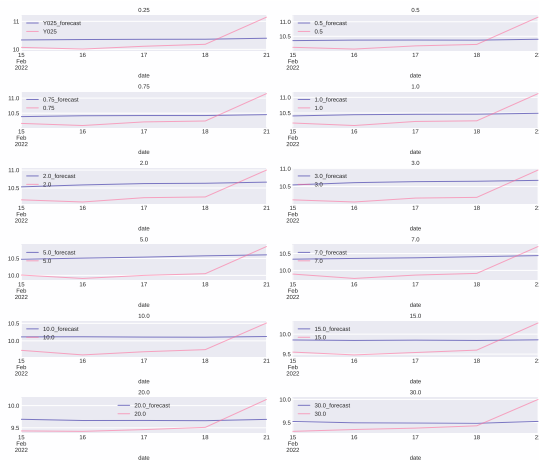


Figure: ARIMAX-MS forecast

